

ETHIOPIA

Agribusiness

Procedures and Opportunities



Ethiopia – Brief Country Profile



Rapid and sustainable economic growth

- One of the fastest growing economies in the world
 - 11% average growth over the past 12 years
 - Shared growth: poverty reduction, life expectancy improvement, etc..
- Stable economic and political environment

Young and productive population

- Second most populous country in Africa
 - 100 million population, growing at 2.3 million annually
- Young and productive age group accounts for 60% of the population

Favorable destination for FDI

- One of the top destinations for foreign direct investment (FDI)
 - Ethiopia accounts for 18.5% of all jobs created through FDI in Africa

Ethiopia has a vision to become the leading manufacturing hub in Africa

Middle income country

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Leading Manufacturing hub of
Africa

Strong Investment policy

- Vision 2025 is to become a middle income country
 - GDP to grow at 11% every year
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- Path to middle income is structural transformation of the economy
 - Targets of the manufacturing sector:
 - Annual growth rate **25%**
 - Increase share of GDP **by 4 times to 20%**
 - Creating **2 million jobs** (200,000/year)
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- Ethiopian Investment Board (EIB) is the highest investment policy making body, chaired by the Prime Minister
 - Clear policy: Developing specialized clusters and undertaking targeted investment promotion

Ethiopia's geographic location and its preferential trade agreements provide accessible market access

Proximity

3.5 billion people live within 8 hours of flight from Addis Ababa

Preferential trade opportunities

United States

- Duty free market access through AGOA

European Union

- Duty free market access Everything but Arms

Sub-Saharan Africa

- A founding member of the Common Market for Eastern and Southern Africa (COMESA)

Others

- Preferential duty treatment to markets such as China, India, Japan, Canada, and Australia

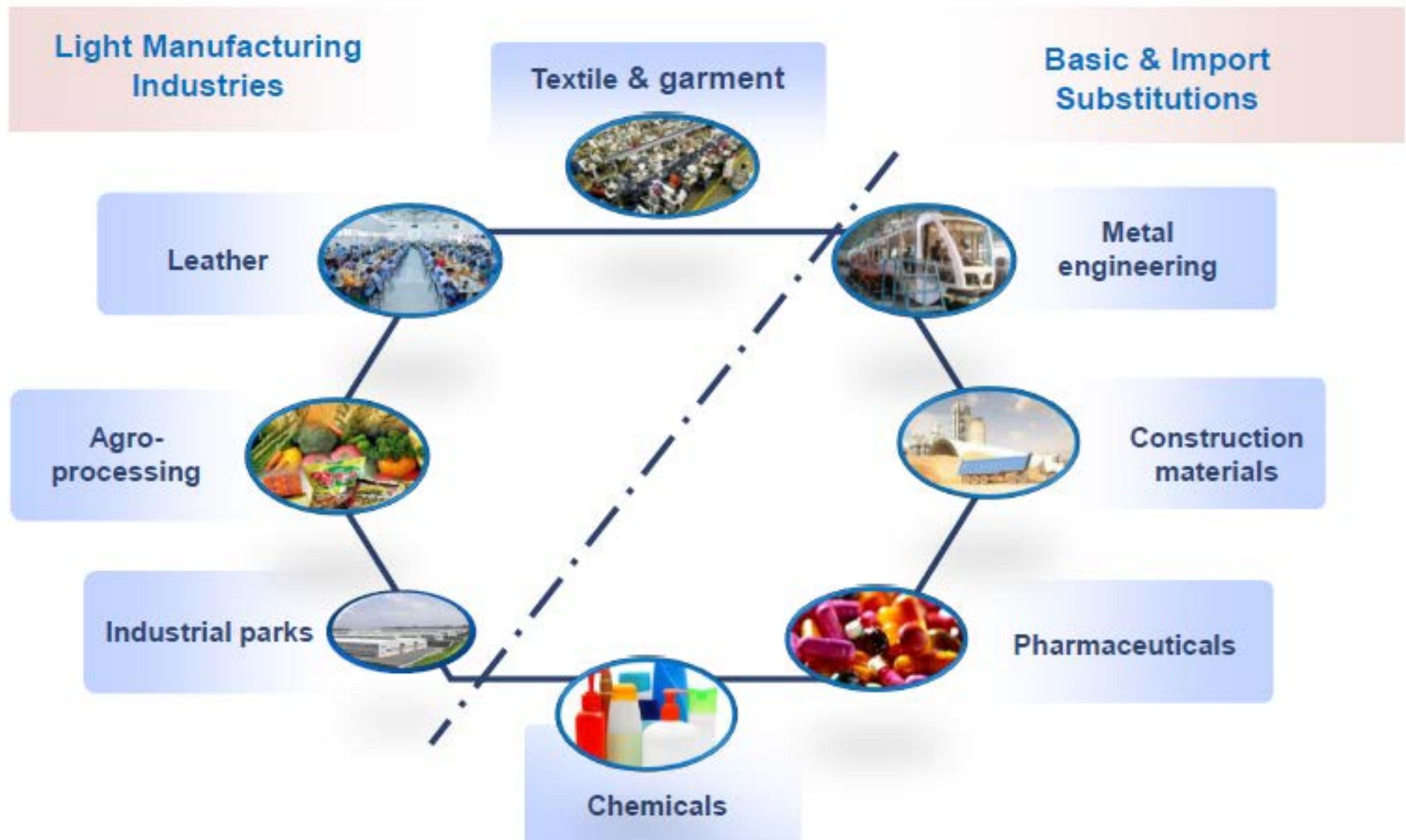
Ethiopian Investment Commission (EIC)

The principal and autonomous government institution that is responsible for **promoting, coordinating** and **facilitating** investment in Ethiopia.

Main services provided by EIC

- Promoting the country's investment opportunities and conditions to investors.
- Issuing investment permits, business licenses and construction permits.
- Notarizing memorandum and articles of association and amendments.
- Issuing commercial registration certificates as well as renewals, amendments, replacements or cancellations.
- Effecting registration of trade or firm name and amendment, as well as replacements or cancellations.
- Issuing work permits, including renewals, replacements, suspensions or cancellations.
- Grading first grade construction contractors.
- Registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors.
- Negotiating and, upon government approval, signing bilateral investment promotion and protection treaties with other countries.
- Advising the government on policy measures needed to create an attractive investment climate for investors.

Seven priority sectors have been identified



Ethiopia is building mega infrastructure projects which will capitalize its geographic and market access advantages and boost investment



- New electric railway connecting industrial parks to Djibouti port
 - 4-12 hour travel time
 - Addis electric railway



- Several road projects such as Addis-Adama express way



- Africa's aviation hub: daily flights by Ethiopian Airlines to various parts of Africa, Asia and Europe, Americas

Market access advantages

1. Vibrant and accessible domestic market with increasing disposable income and improved infrastructure
2. Accessible export market with proximity to European Union, U.S., Middle East, and Asia and leading aviation industry

Ethiopia is capitalizing its electric power potential to enhance investment opportunities



- Electricity tariff is one of the lowest electricity in the world
 - Current rate: 3 cents/kwh

Energy potential

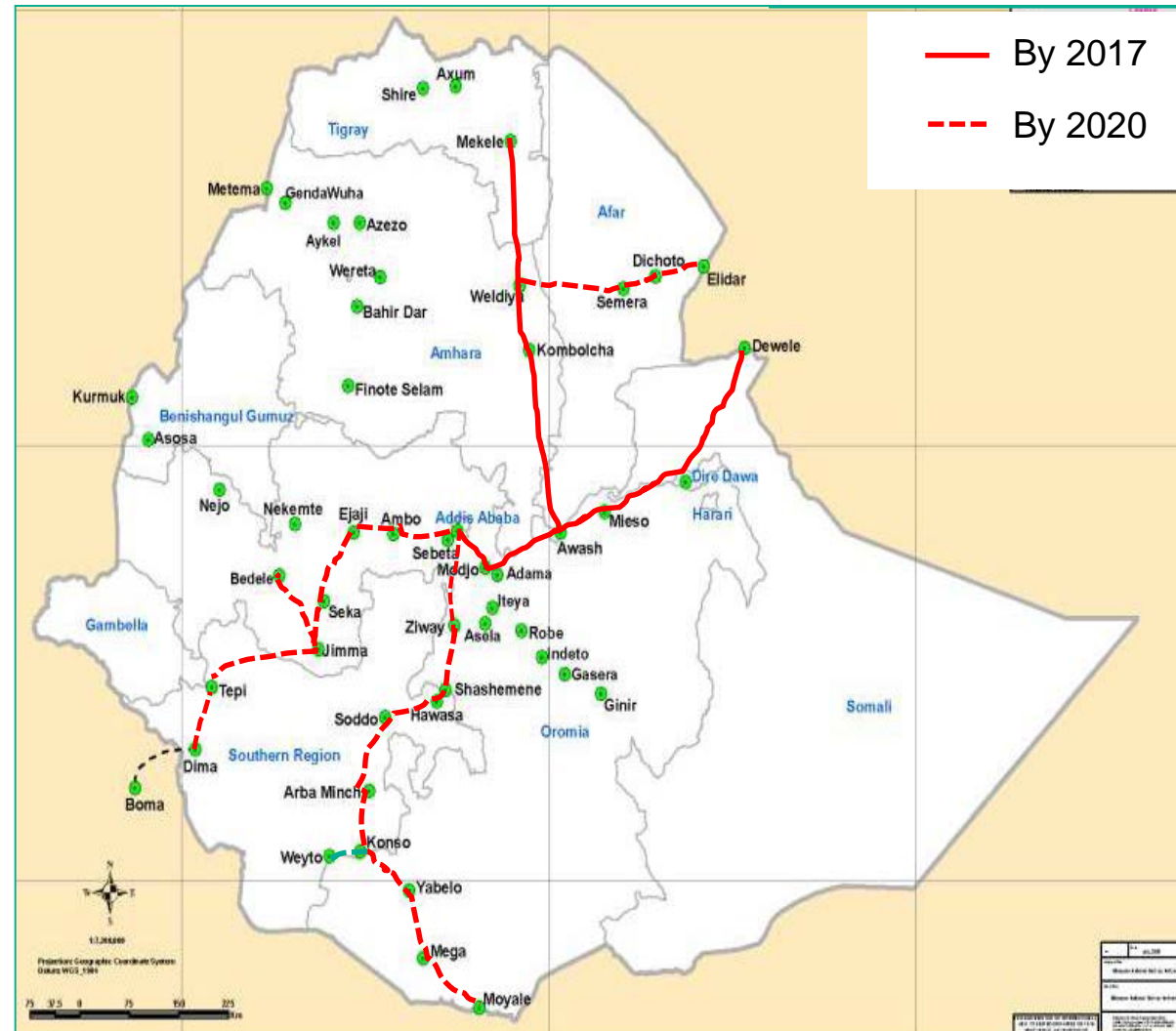
- Hydro : More than 45,000 MW
 - Largest hydro power dam in Africa is under construction with 6,000 MW capacity
- Wind: More than 10,000 MW
- Geothermal: More than 5,000 MW
- Supply chain opportunities
- Engineering & technical consultancies

Railway networks will connect important corridors of the country

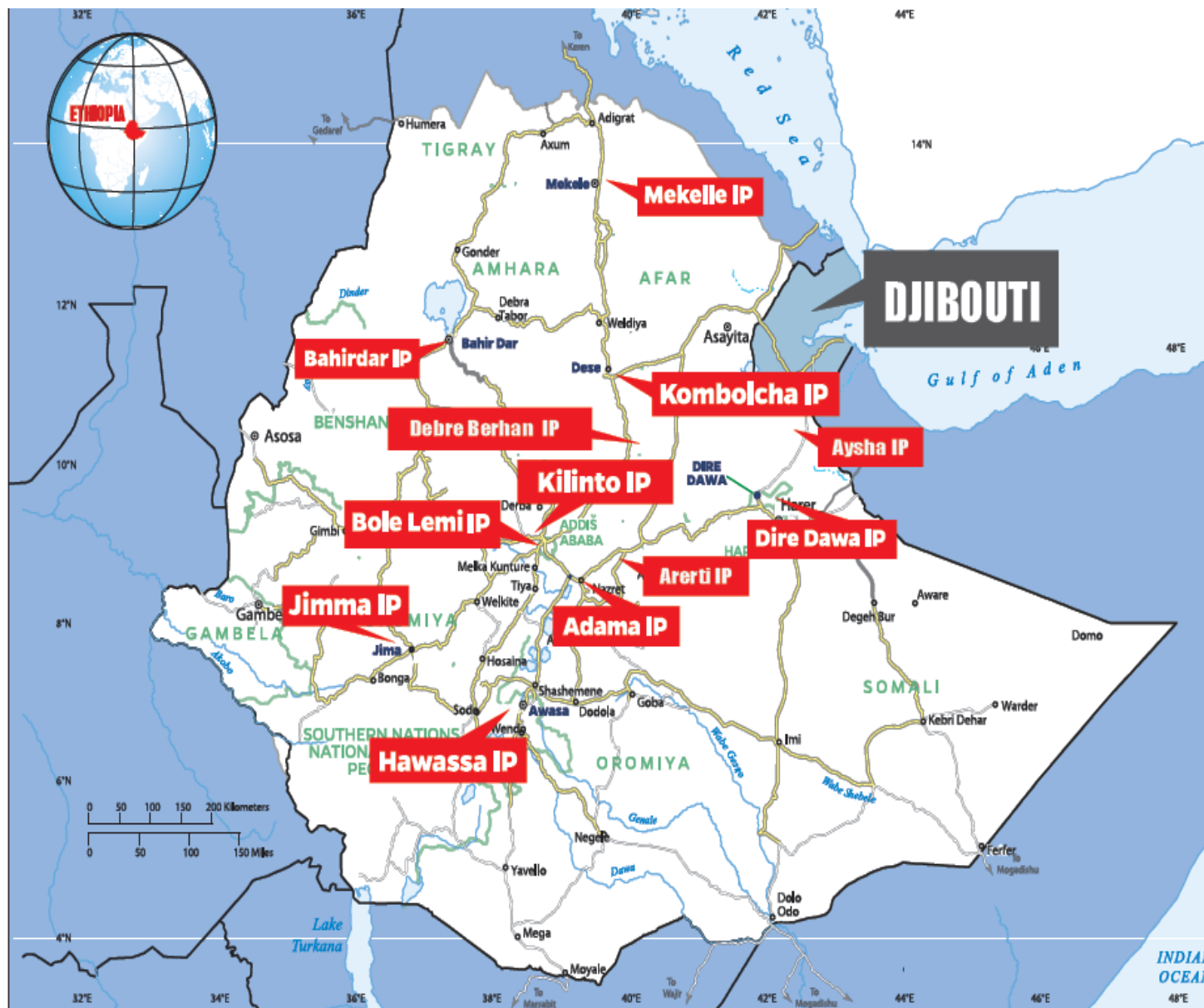


New electric railway connecting Parks to Djibouti Port
(4-12 hour travel time)

Planned Railway Networks



Several industrial Parks are being developed through out the country



- World-class parks, ready for **'plug and play'**
- Specialized on priority sector
- Sustainable (eco-parks)
- Strategically located along the new railway corridors

Specialized Clusters

- Textile / Apparel / Leather
- Agro processing
- Pharmaceuticals
- Electronics / Assembly
- Chemicals / Building Material
- Other mixed

Industrial Park Tenants / Exporters

- Exempted from income tax up to 8 - 10 years
- Exempted from duties and other taxes on imports of machinery, equipment, construction materials, spare parts, raw materials and vehicles
- No taxes on exports
- One-stop-shop government services
- Land lease term: 60-80 years at zero charge for factories and residential quarters

Sectoral Openings for Foreign Investors

A foreign investor can engage in any sector listed under the Investment Proclamation No. 769/2012 and regulation No. 270/2012 (both as amended)

Manufacturing

Agriculture

ICT

Power Generation

Hotel & Tourism

Real Estate Development

Construction Contracting

Educational and Training

Hospital Services

Mining

Power Transmission & Distribution

Postal Services (non-courier)

Air transport services

Logistical services

Broadcasting and mass media

Legal consultancy services Printing industries

Telecom Services*

Banking and Insurance Services

Agro-processing Opportunities

Ethiopia is an ideal destination for commercial farming.

- Large land size (27th largest country in the world) 1.1 million km²
- 74 million hectares of arable land
- Diverse topography and agro- climatic zones,
- Fertile soils and water availability for irrigation,

Ethiopia is **Africa's leading producer of coffee Arabica**; regional lead in **honey and bees wax production**; the **second largest flower exporting country in Africa** and the fourth in the world.

Priority areas for investment: Horticulture, floriculture, cotton plantation, palm tree plantation, rubber tree plantation, tea & coffee plantation, sugarcane plantation, spices & herbs, oilseeds, livestock, and apiculture.

Income tax exemption incentive:

- up to **9 years** income tax **exemption**; additional 2 years exemption if **60% export** or supply input to exporter;
- **additional 30% deduction** for 3 consecutive years if investment in underdeveloped regions

Setting up an Investment

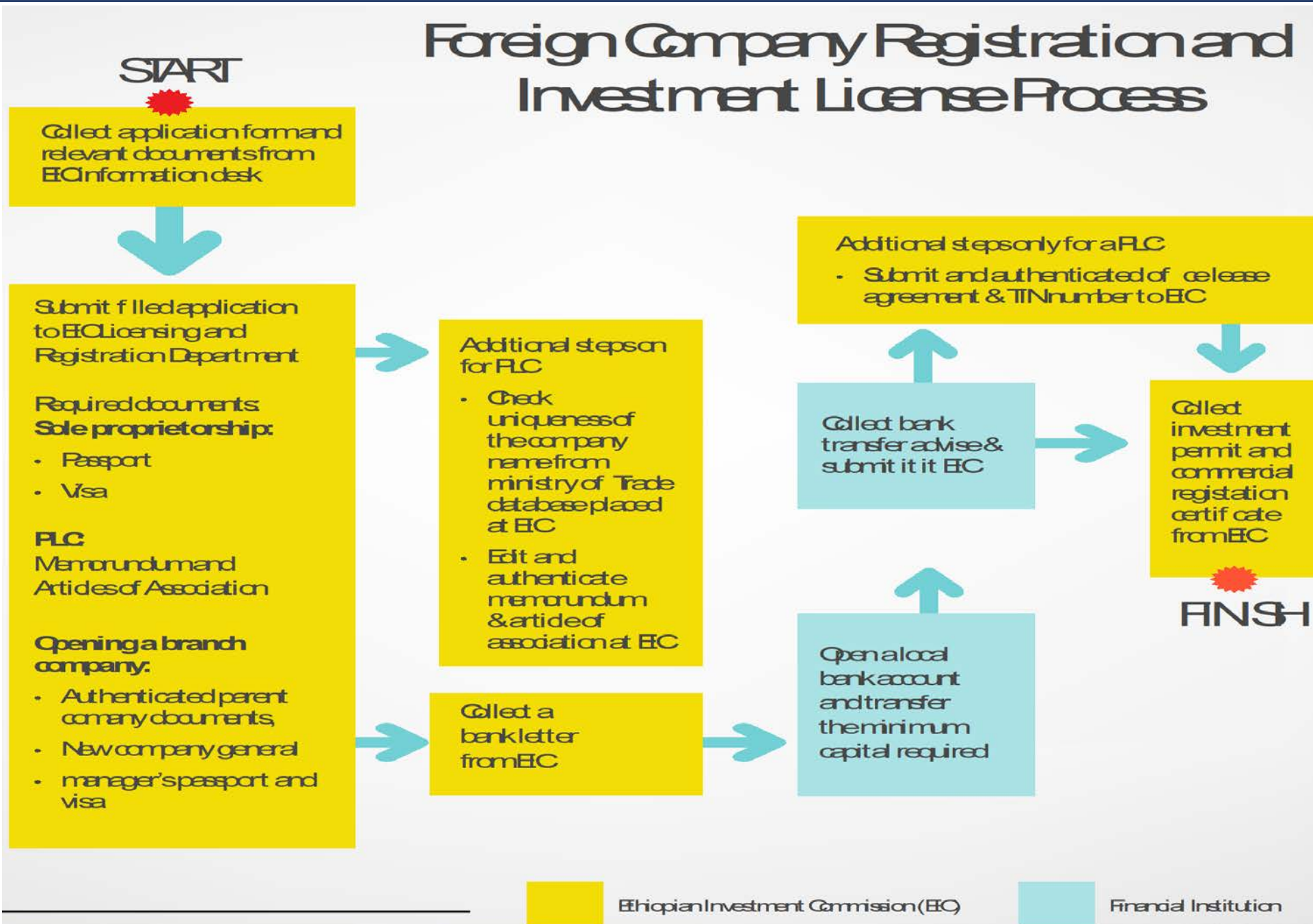


Foreign Investors can operate as;

- Sole Proprietor
- Share Company
- Private Limited Company

Registration and License Process

Foreign Company Registration and Investment License Process



Aftercare Investment Services

EIC provides post- establishment facilitation and follow-up services including, but not limited to:

- Facilitating acquisition of land and utilities (water, electrical power and telecom services)
- Processing of loans and residence permit applications
- Approval of environmental impact assessments studies

Capital Requirements

- USD 200,000 for a single investment project by a foreign investor
- USD 150,000 if joint investment with a domestic investor
- USD 100,000 if the investment is on architectural or engineering works or related technical consultancy services, technical testing and analysis or in publishing work, and is solely owned by a foreign investor (USD 50,000 if joint investment with a domestic investor)
- No capital requirement for reinvestment of profit or dividend

Visa Requirements

- All investors, except for Kenyan nationals, require visas to enter the country
- Visa process can be handled through nearest Ethiopian consular offices or by applying online (for select countries)
- Business visas and investor visas can be handled through the Investment Commission



Factors at a Glance

Land

- All land owned by GoE
- Lease rights provided for up to 99 years
- 60-80 years lease at zero rate available for IP development
- Option to rent or buy factory sheds, or build on developed land at discount

Labor

- Competitive rates ranging from \$40-\$135 USD/ monthly
- Maximum number of days per week (6)
- No general restriction on night shifts
- Average annual leave days (18)
- Overtime pay is 25% premium on pay scale

Tax and Finance Brief

Finance

- 19 banks & 16 insurance companies
- Banks provide forex services
- DBE provides loans for export oriented projects
- Interest rates on savings 5%-12%
- Lending rates 9%-16%
- Exporters benefit from discounted lending rates

Tax

- Personal income tax (0-35%)
- Corporate income tax (30%)
- Withholding tax (2%)
- Dividend tax (10%)
- Royalty tax (5%)
- Interest income tax (5%)
- Value Added Tax (15%)
- Customs Duty (0-35%)
- Turnover tax (2-20%)

Investment Protection and Guarantee

Ethiopia is a member of the Multilateral Investment Guarantee Agency (MIGA) and the World Intellectual Property Organization (WIPO).

Protection and guarantee

- Guarantee against expropriation or nationalization.
- Guarantee for repatriation of funds.
- Ethiopia is a member of the Multilateral Investment Guarantee Agency (MIGA) and the World Intellectual Property Organization (WIPO).
- Ethiopia has signed over 30 Bilateral Investment Treaties and several Double Taxation Agreements – providing investors with utmost protection.
- Ranked higher than its regional peers (Kenya, Rwanda and South Africa) for ease of enforcing commercial contracts on the World Bank's Doing Business Report (2017).



Thank You!

